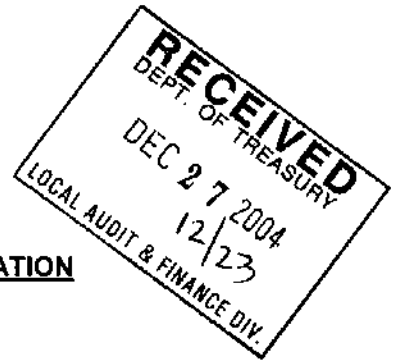


BERRIEN COUNTY PUBLIC TRANSPORTATION

11-7-630  
MDOT - SMALL BUS PROGRAM

FINANCIAL STATEMENTS

September 30, 2004



# AUDITING PROCEDURES REPORT

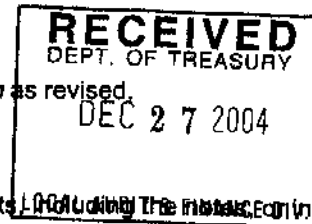
Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <b>BERRIEN COUNTY PUBLIC TRANSPORTATION MDOT-SMALL BUS PROGRAM</b>	County <b>BERRIEN</b>
Audit Date <b>SEPTEMBER 30, 2004</b>	Opinion Date <b>DECEMBER 8, 2004</b>	Date Accountant Report Submitted to State: <b>December 23, 2004</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.



We further affirm the following. "Yes" responses have been disclosed in the financial statements including the notes to the report of comments and recommendations

You must check the applicable box for each item below.

- ☒ yes ☐ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) <b>CERBEL &amp; COMPANY P.C., CPA'S</b>			
Street Address <b>830 PLEASANT ST. PO BOX 44</b>	City <b>ST. JOSEPH</b>	State <b>MI</b>	ZIP <b>49085</b>
Accountant Signature <i>Robert L. Cerbel</i> <b>CPA</b>			

**BERRIEN COUNTY PUBLIC TRANSPORTATION  
MDOT - SMALL BUS PROGRAM**

**CONTENTS**

	<u>Page</u>
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	I-III
INDEPENDENT AUDITOR'S REPORT .....	1
STATEMENT OF NET ASSETS .....	2
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS.....	3
STATEMENT OF CASH FLOWS.....	4
NOTES TO FINANCIAL STATEMENTS .....	5-8
SUPPLEMENTARY INFORMATION:	
Schedule of Operating Expenses.....	9
Net Eligible Costs Computations of General Operations .....	10
Schedule of Mileage Data (Unaudited) .....	11
COMPLIANCE AND INTERNAL CONTROL REPORT.....	12-13

**BERRIEN COUNTY PUBLIC TRANSPORTATION**  
**Management's Discussion & Analysis**

**Description of Basic Financial Statements**

Berrien County Public Transportation (the "BCPT") is a public transportation system located in Berrien County, Michigan. The County uses the accrual basis of accounting. The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be a discussion and analysis of the financial results for the fiscal year ending September 30, 2004. BCPT's basic financial statements include a statement of net assets, a statement of revenues, expenses, and changes in net assets, and a statement of cash flows. The basic financial statements also include notes that explain the information recorded in the basic financial statements.

**Financial Highlights**

BCPT's total expenses were \$1,214,478, while total revenues and adjustments were \$1,172,471 (\$517,382 operating revenue; \$603,899 non-operating revenue; \$51,190 adjustments). BCPT's total revenues and adjustments were not sufficient to cover expenses for the year. The difference of \$42,007 was made up from BCPT's fund balance from prior years.

BCPT's total net assets at September 30, 2004 were \$541,840 of which \$38,089 was invested in fixed assets (transportation equipment, land improvements and office equipment).

BCPT received \$473,829 in state operating assistance. This was below the 42.237% of eligible expenses by \$20,563 and has been recorded as a current year receivable. The Authority received \$96,032 in Section 5311 federal operating assistance. This was below the eligible 10.95% by \$26,810 and has been recorded as a current year receivable.

**Condensed Financial Information**

The following condensed financial information provides an overview of BCPT's financial position for the fiscal year ending September 30, 2004.

	<u>September 30, 2004</u>
Assets:	
Fixed assets	\$ 38,089
Other assets	<u>601,269</u>
Total assets	<u>\$639,358</u>
Liabilities:	
Current liabilities	<u>\$ 97,518</u>
Total liabilities	<u>\$ 97,518</u>
Net Assets:	
Invested in fixed assets, net of related debt	\$ 38,089
Unrestricted net assets	<u>503,751</u>
Total net assets	<u>\$541,840</u>
Total liabilities & net assets	<u>\$639,358</u>

- (a) *Net Assets* - Net assets, the difference between assets and liabilities.  
 (b) *Fixed Assets* - Fixed assets are made up of property, buildings, equipment and buses.  
 (c) *Other Assets* - Other assets consist of cash, investments, receivables and prepaid expenses.  
 (d) *Liabilities* - Liabilities consist of accounts payable or bills that the Authority owes payment on. Also included are payments due to the State of Michigan for overpayments of state operating assistance.

### **Changes in Net Assets**

The 2004 fiscal year represents BCPT's twenty-first year in running the County transit program. The table below summarizes BCPT's operations for the fiscal year.

#### **Revenues:**

##### **Operating revenue:**

Fares	<u>\$517,382</u>
Total operating revenues	<u>\$517,382</u>

##### **Nonoperating revenues:**

State grants	\$465,206
Federal grants	122,842
Prior year 5311 Federal grant	10,387
Interest earned	1,584
RTAP Training Expenses	<u>3,880</u>
Total nonoperating revenues	<u>\$603,899</u>

**Total Revenues** **\$1,121,281**

#### **Expenses:**

Purchased transportation	\$1,037,345
Administration	43,257
Travel	1,285
Training	1,274
Insurance	74,242
Other	49,314
Depreciation	<u>7,761</u>

**Total Expenses** **\$1,214,478**

Net loss before adjustments \$ (93,197)

Total Adjustments 51,190

**Net Loss for the year** **\$ (42,007)**

Net assets - Beginning of the year 583,847

**Total net assets - End of the year** **\$ 541,840**

### **Summary of Operations**

#### **1. Budget:**

##### **Expenditures**

	<b>MDOT</b>		<b>Difference</b>
	<b><u>Eligible Operating</u></b>	<b><u>Audit</u></b>	<b><u>Audit vs. Budget</u></b>
2003-2004	\$ 1,121,845	\$ 1,214,478	\$ (92,633)

Revenues	<u>MDOT Approved</u>	<u>Audit</u>	<u>Difference Audit vs. Budget</u>
2003-2004	\$ 1,121,845	\$ 1,121,281	(\$ 564)

BCPT did not amend the MDOT approved operating budget during the year.

## 2. General Report on FY 2004 Operations:

Operation of the BCPT system remained unchanged throughout FY 2004. The Berrien County Board of Commissioners sets program policy and direction, approves all expenditures, and monitors activities. The Board contracted with Transportation Management, Inc. (TMI) to provide day-to-day operational services. The Board uses a part-time employee to provide oversight services. The County Treasurer provides financial services.

Funding composition for the transit service consists of State, Federal and local dollars. While Federal funding has remained fairly consistent, the State formula operating assistance from MDOT has continued to decline for the past several years. It is anticipated that State funding will continue to decrease until Michigan's overall economy shows a substantial improvement. State and Federal revenue is targeted at 50% for FY 2005. This means a larger share of the revenues will have to come from an increased fare structure and increased ridership.

Total ridership was down by 5,857 passengers. This downward trend in ridership is reflective of the poor economic conditions in southwestern Michigan. Since much of the service is provided to human service agencies, the reductions they have received in State and Federal revenues limits them on the amount of transportation services they can contract for. This along with a concerted effort to reduce vehicle hours is having a significant impact on raising the local share.

Total operating expenses were up and revenues were down. Expense increases were primarily in the areas of purchased transportation services from TMI and insurance. The revenue decrease was the result of the decrease in state operating assistance and the reduction in number of passengers carried. The total number of days operated decreased from 337 to 328. Vehicle hours operated decreased by 1,032 hours and vehicle miles increased by 1,980 miles.

Although the BCPT system is currently in a financially solid position, this could change rapidly if required adjustments are not made in a timely manner. Rapidly escalating insurance costs, significant decreases in State operating assistance, low interest rates on investments and decreasing ridership are all issues the County will have to closely monitor on a monthly basis throughout FY 2005 to see if financial goals are being met.

# Gerbel & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Fifth Third Bank Building ■ 4<sup>th</sup> Floor ■ 830 Pleasant Street ■ P.O. Box 44 ■ St. Joseph, Michigan 49085-0044

December 8, 2004

## INDEPENDENT AUDITOR'S REPORT

Board of Commissioners of Berrien County  
Berrien County Public Transportation  
MDOT - Small Bus Program  
St. Joseph, Michigan

Dear Commissioners:

We have audited the financial statements of the Berrien County Public Transportation, MDOT - Small Bus Program, as of and for the year ended September 30, 2004, as listed in the Table of Contents. These financial statements are the responsibility of Berrien County Public Transportation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Berrien County Public Transportation as of September 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, Berrien County Public Transportation has implemented a new financial reporting model, as required by the provisions of GASB Statement 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of June 30, 2004.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion of it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Berrien County Public Transportation's basic financial statements. The supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Gerbel & Company, P.C.*

**Right. On time.**

**BERRIEN COUNTY PUBLIC TRANSPORTATION  
MDOT - SMALL BUS PROGRAM  
Statement of Net Assets  
September 30, 2004**

**ASSETS**

Current Assets

Cash	\$ 276,806
Certificates of deposit	191,798
Accounts receivable	76,512
Due from State of Michigan	20,563
Due from Federal government	26,810
Prepaid expenses	<u>8,780</u>

Total Current Assets	<u>\$ 601,269</u>
----------------------	-------------------

Property, Plant, and Equipment

Transportation equipment	\$ 52,290
Land improvements	43,700
Office equipment	<u>4,660</u>

	<u>\$ 100,650</u>
Less: Accumulated depreciation	(62,561)

Total Property, Plant, and Equipment	<u>\$ 38,089</u>
--------------------------------------	------------------

TOTAL ASSETS	<u>\$ 639,358</u>
--------------	-------------------

**LIABILITIES AND NET ASSETS**

Current Liabilities

Accounts payable	<u>\$ 97,518</u>
------------------	------------------

Total Current Liabilities	<u>\$ 97,518</u>
---------------------------	------------------

Net Assets

Invested in capital assets, net of related debt	\$ 38,089
Unrestricted net assets	<u>503,751</u>

Total Net Assets	<u>\$ 541,840</u>
------------------	-------------------

TOTAL LIABILITIES AND NET ASSETS	<u>\$ 639,358</u>
----------------------------------	-------------------



**BERRIEN COUNTY PUBLIC TRANSPORTATION  
MDOT - SMALL BUS PROGRAM  
Statement of Revenues, Expenses, and  
Changes in Net Assets  
For the Year Ended September 30, 2004**

Operating Revenues - Fares	\$ 517,382
Operating Expenses	<u>1,214,478</u>
Net Operating Loss	<u>\$ (697,096)</u>
Nonoperating Revenues	
Local:	
Interest earned	<u>\$ 1,584</u>
State:	
State of Michigan Grants	
Formula Operating Assistance - current year	\$ 494,392
Prior year(s) Formula Operating Assistance	(29,186)
State of Michigan Grants	
U.S. DOT Operating Grant - Section 5311- current year	122,842
Prior year(s) U. S. DOT Operating Grants	10,387
State of Michigan Grants	
RTAP Training Expenses	<u>3,880</u>
Total State Revenue	<u>\$ 602,315</u>
Total Nonoperating Revenues	<u>\$ 603,899</u>
Net loss from operations	\$ (93,197)
Add (deduct):	
Rent	18,000
Sale of fixed assets	537
Miscellaneous	<u>32,653</u>
Net income for the year	\$ (42,007)
Net Assets - Beginning of the Year	<u>583,847</u>
NET ASSETS - END OF THE YEAR	<u>\$ 541,840</u>

**BERRIEN COUNTY PUBLIC TRANSPORTATION  
MDOT - SMALL BUS PROGRAM  
Statement of Cash Flows  
For the Year Ended September 30, 2004**

**Cash Flows from Operating Activities:**

Receipts from customers	\$ 523,794
Payments to suppliers of goods and services	(1,163,911)
Payments to employees	<u>(43,257)</u>

Net cash provided by operating activities	<u>\$ (683,374)</u>
---	---------------------

**Cash Flows from Investing Activities:**

Sale of fixed assets	\$ 537
Interest	<u>1,584</u>

Net cash provided by investing activities	<u>\$ 2,121</u>
---	-----------------

**Cash Flows from Financing Activities:**

State and Federal operating assistance	\$ 603,955
Rental income	18,000
Reimbursements	<u>32,653</u>

Net cash provided by financing activities	<u>\$ 654,608</u>
---	-------------------

Net increase (decrease) in cash	\$ (26,645)
---------------------------------	-------------

Cash at beginning of year	<u>495,249</u>
---------------------------	----------------

<b>CASH AT END OF YEAR</b>	<u><b>\$ 468,604</b></u>
----------------------------	--------------------------

**Reconciliation of operating income to net cash provided by operating activities:**

Operating income (loss)	\$ (697,096)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	7,761
(Increase) decrease in:	
Accounts receivable	6,412
Prepaid expenses	3,466
Increase (decrease) in:	
Accounts payable	<u>(3,917)</u>

Net Cash Flows from Operations	<u>\$ (683,374)</u>
--------------------------------	---------------------

**BERRIEN COUNTY PUBLIC TRANSPORTATION  
MDOT - SMALL BUS PROGRAM  
Notes to Financial Statements  
September 30, 2004**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

The Berrien County Public Transportation system is a department of the County of Berrien, Michigan. Berrien County is governed by a Board of Commissioners who contracted with the Michigan Department of Transportation to provide public transportation services in nonurbanized areas. The Board of Commissioners subcontract the operation of the transportation system to a third party and the financial statements include only the operations of that department of the County.

**Basis of Presentation**

The financial statements of the Berrien County Public Transportation system have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units in the United States. The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles for governments within the United States.

In accordance with GAAP, the Berrien County Public Transportation system operations are accounted for as a Business Type Activity. In this regard, the Berrien County Public Transportation system follows the economic resources measurement focus and the accrual basis of accounting, whereby revenues are recognized when they are earned and become measurable, and expenses are recorded when they are incurred, irrespective of when paid.

**Accounting Pronouncements**

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis* (GASB). This statement established financial reporting standards for state and local governments including special purpose government such as the Berrien County Public Transportation System. The GASB has followed up on such issues with other related pronouncements designed to clarify the intent of GASB 34.

GASB 34 and its related pronouncements and interpretation require, among other things, that the difference between assets and liabilities be reported as net assets, not equity; that a Management's Discussion and Analysis (MD&A) section precede the basic financial statements; and that capital assets be capitalized and depreciated over their estimated useful lives.

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Fixed Assets and Depreciation**

The vehicles used in the transportation program are owned by the County of Berrien and titled in its name. For financial reporting, depreciation is computed by the straight-line method over a period of 3-10 years.

**Cash and Cash Equivalents**

For the purpose of the statement of cash flows, the department considers all short-term investments with an original maturity of three months or less to be cash equivalents. The carrying amounts approximate fair value.

**BERRIEN COUNTY PUBLIC TRANSPORTATION  
MDOT - SMALL BUS PROGRAM  
Notes to Financial Statements  
September 30, 2004**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Operating Assistance Underpayments Receivable**

Underpayment for the year ended September 30, 2004 was computed as follows:

	<u><b>2004</b></u>
Operating Expenses	\$ 1,214,478
Less:	
Depreciation (except depreciation on locally funded assets of \$502)	(7,259)
Ineligible expense - 7.4% of MPTA dues	(156)
Seminars and other reimbursements	<u>(36,533)</u>
Eligible operating expenses subject to 42.236619648% limitation	<u>\$ 1,170,530</u>
42.236619648% of eligible operating expenses	\$ 494,392
State revenues - monthly operating assistance received	<u>473,829</u>
Difference - state revenue under 42.236619648%	<u>\$ 20,563</u>

**Section 5311 Operating Assistance Receivable (Formerly Section 18)**

Operating Expenses	\$ 1,214,478
Less:	
Depreciation (except depreciation on locally funded assets of \$502)	(7,259)
Audit expense	(4,600)
Ineligible expense - 7.4% of MPTA dues	(156)
Other reimbursements	<u>(36,533)</u>
Net expenses	<u>\$ 1,165,930</u>
Reimbursable rate 10.95% x Net Expenses	<u>\$ 127,669</u>
Maximum reimbursable amount per contract	\$ 122,842
Less progress payments	<u>96,032</u>
Difference - 10.95% exceeds Federal revenues	<u>\$ 26,810</u>

**BERRIEN COUNTY PUBLIC TRANSPORTATION**  
**MDOT - SMALL BUS PROGRAM**  
**Notes to Financial Statements**  
**September 30, 2004**

**NOTE 2 - DEPOSITS AND INVESTMENTS**

Michigan Compiled Laws, section 129.91, authorizes the County to invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other obligations of the United States, or any agency or instrumentality of the United States, including securities issued or guaranteed by the Government National Mortgage Association, United States government, or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; mutual funds composed of investment vehicles that are legal for direct investment by local government in Michigan; and commercial paper rated by two standard rating agencies within the three highest classifications, which matures not more than 270 days after the date of purchase, and which involves no more than 50 percent of any one fund. Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money. Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions which do not have branches located in Michigan.

The transportation department's deposits are in accordance with State statutory authority.

At September 30, 2004, the department has deposits with local banks. The carrying amounts are \$468,606 with the bank balance being \$467,910. The portion of deposits covered by federal depository insurance (FDIC) is shown below:

<u>Deposits</u>	<u>2004</u>	<u>2003</u>
Insured (FDIC)	\$ 78,994	\$ 100,000
Uninsured and uncollateralized	<u>388,916</u>	<u>395,001</u>
Total Deposits	<u>\$ 467,910</u>	<u>\$ 495,001</u>

**NOTE 3 - CONCENTRATION OF CREDIT RISK**

Financial instruments that potentially subject Berrien County Public Transportation to concentrations of credit risks consist principally of temporary cash investments that may at times exceed the amount insured by the Federal Deposit Insurance Corporation.

**NOTE 4 - FUNDING**

The total cost of operations for the year amounted to \$1,214,478 which was above the estimated proposed budget of \$1,121,845 by \$92,633. The funding allocations have been made based on the budgeted operating expenses and have been made according to the specifications in the contracts in force during the year. The section 5311 funding was set at 10.95% of the eligible expenses and the County billing at \$34.24 per hour for each hour of bus service.

**BERRIEN COUNTY PUBLIC TRANSPORTATION  
MDOT - SMALL BUS PROGRAM  
Notes to Financial Statements  
September 30, 2004**

**NOTE 5 - CHANGES IN FIXED ASSETS**

The following schedule represents the changes in fixed assets of Berrien County Public Transportation for the year ended September 30, 2004:

	<b>Ending Balance as of <u>September 30, 2003</u></b>	<b><u>Additions</u></b>	<b><u>Deletions</u></b>	<b>Ending Balance as of <u>September 30, 2004</u></b>
Land improvements	\$ 43,700	\$ -	\$ -	\$ 43,700
Office equipment	4,660	-	-	4,660
Transportation equipment	<u>52,290</u>	<u>-</u>	<u>-</u>	<u>52,290</u>
Subtotal	\$ 100,650	\$ -	\$ -	\$ 100,650
Accumulated depreciation	<u>(54,800)</u>	<u>(7,761)</u>	<u>-</u>	<u>(62,561)</u>
Net fixed assets	<u>\$ 45,850</u>	<u>\$ (7,761)</u>	<u>\$ -</u>	<u>\$ 38,089</u>

**NOTE 6 - RISK MANAGEMENT**

Berrien County Public Transportation participates in a risk pool. Berrien County Public Transportation is responsible for the first \$5,000 per claim and the risk pool will cover up to \$4,000,000 per claim. In the fiscal period ending November 30, 2002 and 2003, the pool incurred over \$4.8 million and \$3.9 million respectively in losses due to lawsuits. As a result of these losses, each member is required to pay a share of the total liability over the next three years to help replenish depleted reserves. Berrien County Public Transportation is required to make the following estimated payments:

<b><u>Fiscal Year</u></b>	<b><u>FY2002</u></b>	<b><u>FY2003</u></b>	<b><u>FY2004</u></b>
September 30, 2005	\$ 18,642	\$ 16,005	\$ 34,647
September 30, 2006	18,642	16,005	34,647
September 30, 2007	<u>18,642</u>	<u>16,005</u>	<u>34,647</u>
	<u>\$ 55,926</u>	<u>\$ 48,015</u>	<u>\$ 103,941</u>

These amounts are only estimates. The actual outcomes of lawsuits still in process may cause these liabilities to be adjusted accordingly.

**BERRIEN COUNTY PUBLIC TRANSPORTATION  
MDOT - SMALL BUS PROGRAM  
Schedule of Operating Expenses**

			<u>Year Ended</u> <u>September 30,</u>	
	<u>Operations</u>	<u>General</u> <u>Administration</u>	<u>2004</u>	<u>2003</u>
Purchased Transportation Services	\$ 1,037,345	\$ -	\$ 1,037,345	\$ 1,037,327
Miscellaneous Expense				
Administration	-	43,257	43,257	38,836
Travel	-	1,285	1,285	300
Training	-	1,274	1,274	1,374
Insurance	-	74,242	74,242	61,774
Other	37,829	11,485	49,314	15,765
Depreciation	<u>7,761</u>	<u>-</u>	<u>7,761</u>	<u>6,021</u>
 TOTAL OPERATING EXPENSES	 <u>\$ 1,082,935</u>	 <u>\$ 131,543</u>	 <u>\$ 1,214,478</u>	 <u>\$ 1,161,397</u>

**BERRIEN COUNTY PUBLIC TRANSPORTATION  
MDOT - SMALL BUS PROGRAM  
Net Eligible Costs Computations of General Operations**

	<u>Federal Section 5311</u>		<u>Local Operating Assistance</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Operating Expenses				
Purchased transportation services	\$ 1,037,345	\$ 1,037,327	\$ 1,037,345	\$ 1,037,327
Miscellaneous Expense:				
Administration	43,257	38,836	43,257	38,836
Travel	1,285	300	1,285	300
Training	1,274	1,374	1,274	1,374
Insurance	74,242	61,774	74,242	61,774
Other	49,314	15,765	49,314	15,765
Depreciation	<u>7,761</u>	<u>6,021</u>	<u>7,761</u>	<u>6,021</u>
Total Operating Expenses	<u>\$ 1,214,478</u>	<u>\$ 1,161,397</u>	<u>\$ 1,214,478</u>	<u>\$ 1,161,397</u>
Less: Ineligible Expenses				
Depreciation - current fiscal year (except depreciation on locally funded assets of \$502)	\$ 7,259	\$ 5,698	\$ 7,259	\$ 5,698
Audit expense	4,600	4,600	-	-
Seminars and other reimbursement	36,533	1,910	36,533	1,910
Portion of association dues	<u>156</u>	<u>88</u>	<u>156</u>	<u>88</u>
Total Ineligible Expenses	<u>\$ 48,548</u>	<u>\$ 12,296</u>	<u>\$ 43,948</u>	<u>\$ 7,696</u>
Net Eligible Expenses	<u>\$ 1,165,930</u>	<u>\$ 1,149,101</u>	<u>\$ 1,170,530</u>	<u>\$ 1,153,701</u>
State Statutory Operating Assistance:				
42.236619648% of eligible operating expenses (43.80078503% for 2003)			<u>\$ 494,392</u>	<u>\$ 505,322</u>
Federal Section 5311:				
10.95% of eligible operating expenses (10.95% for 2003)	<u>\$ 127,669</u>	<u>\$ 125,827</u>		



**BERRIEN COUNTY PUBLIC TRANSPORTATION  
MODT- SMALL BUS PROGRAM  
Schedule of Mileage Data (Unaudited)**

Demand Response	Public Transportation Mileage	
	Year Ended	
	<u>September 30,</u>	
	<u>2004</u>	<u>2003</u>
First quarter ended December 31	158,228	159,748
Second quarter ended March 31	160,235	152,559
Third quarter ended June 30	162,633	159,489
Fourth quarter ended September 30	<u>156,485</u>	<u>163,805</u>
	<u>637,581</u>	<u>635,601</u>

The methodology used for compiling mileage has been reviewed and found to be an adequate and reliable method for recording vehicle mileage.

# Gerbel & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Fifth Third Bank Building ■ 4<sup>th</sup> Floor ■ 830 Pleasant Street ■ P.O. Box 44 ■ St. Joseph, Michigan 49085-0044

December 8, 2004

Board of Commissioners of Berrien County  
Berrien County Public Transportation  
MDOT - Small Bus Program  
St. Joseph, Michigan 49085

## **REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Dear Board Members:

We have audited the basic financial statements of Berrien County Public Transportation, as of and for the year ended September 30, 2004, and have issued our report thereon dated December 8, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in **Government Auditing Standards**, issued by the Comptroller General of the United States.

### **Compliance**

As part of obtaining reasonable assurance about whether Berrien County Public Transportation's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under **Government Auditing Standards**. However, we noted certain immaterial instances of noncompliance that we have reported to management of Berrien County Public Transportation, in a separate letter dated December 8, 2004.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Berrien County Public Transportation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

**Right. On time.**

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS - Continued**

We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of Berrien County Public Transportation, in a separate letter dated December 8, 2004.

This report is intended for the information of the audit committee, management, and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

*Seibel & Company, P.C.*

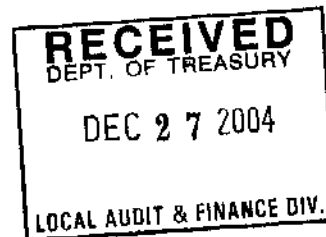
# Gerbel & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Fifth Third Bank Building ■ 4<sup>th</sup> Floor ■ 830 Pleasant Street ■ P.O. Box 44 ■ St. Joseph, Michigan 49085-0044

December 8, 2004

Members of the Berrien County Board of Commissioners  
Berrien County Public Transportation  
MDOT - Small Bus Program  
Berrien County, Michigan



In connection with our examination of the books and records of Berrien County Public Transportation for the year ended September 30, 2004, we offer the following comments and recommendations.

## GENERAL

1. The vast majority of assets used by the MDOT Small Bus Program are not recorded on the books of this fund. We recommend that the buses, bus facilities, and all associated assets be placed in this fund.

We appreciate the courtesy and cooperation extended to us by Berrien County Public Transportation and trust that these comments and suggestions will be received in the spirit of cooperation in which they are offered.

If we can be of any assistance in implementing any of these suggestions, or if you have any questions regarding these or any other matters, please feel free to contact us.

Very truly yours,

*Gerbel & Company, P.C.*  
GERBEL & COMPANY, P.C.  
Certified Public Accountants

**Right. On time.**

PHONE: 269-983-0534 ■ FAX: 269-983-7050 ■ EMAIL: [gerbel@parrett.net](mailto:gerbel@parrett.net) ■ WEB SITE: [www.gerbel.com](http://www.gerbel.com)

C:\Server Files\WORD PROCESSOR\C&R LETTERS\0122 Berrien County Public Transp.doc